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FISCAL IMPACT STATEMENT

LS 7512

BILL NUMBER: HB 1216

NOTE PREPARED: Feb 17, 2011

BILL AMENDED:

SUBJECT: Public Works Projects.

FIRST AUTHOR: Rep. Davis

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that plans, specifications, and contract documents for a public works contract may not:

1. Require a bidder, contractor, or subcontractor to enter into or comply with an agreement with a labor organization on the same or a related public works project; or
2. Discriminate against a bidder, contractor, or subcontractor for refusing to enter into, remain signatory to, or comply with an agreement with a labor organization on the same or a related public works project.

It provides certain interested parties a cause of action to enforce this prohibition.

The bill raises the threshold for the application of the common construction wage statute from \$150,000 to \$1,000,000.

The bill provides that a common construction wage committee must consider any information submitted by the Indiana State Building and Construction Trades Council or the Associated Builders and Contractors of Indiana when making a determination of the common construction wage for a public works project. It provides that a common wage committee may not address matters other than worker classification and hourly wages.

The bill provides that the common construction wage statute does not apply to public works contracts entered into by a school corporation or a state educational institution.

The bill makes technical changes.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The requirement that plans, specifications, and contract documents for a public works contract may not require a contract to enter into or comply with an agreement with a labor organization could possibly reduce the cost of a project.

Increasing the threshold for the application of the common construction wage statute from \$150,000 to \$1,000,000 would increase the number of projects not subject to common construction wage.

The impact from the exemption of school corporations and state educational institutions from the common construction wage law is expected to vary by project.

Background: Common Construction Wage - A number of studies suggest that wage determination provisions generally increase the labor cost of public works projects from 5% to 16%, and exemption from this wage determination provision might reduce expenditures. The precise impact of the change cannot be determined. Some studies argue for prevailing wage-type systems on the grounds that they lead to greater efficiency, quality, and safety by providing for a stable, well-trained labor force. If such benefits were not realized, school corporations and universities could realize an increase in cost in the long run. Unfortunately, data limitations and questionable methodology limit the conclusiveness of many studies on prevailing wage laws.

Additional Impact: If, as some studies have shown, common wage requirements increase the costs of labor to the state, then lower wages due to the exemption may have the following effects:

- State income tax collections could decrease (assuming no increase in employment levels), decreasing consumption and further decreasing sales tax revenue.
- Debt incurred to finance projects could decrease due to lower project costs, reducing bonding or property taxes.
- Funds may be available for other public works projects that would have been required for the project. Similarly, capital expenses could be reduced, making more funding available for noncapital expenses in project budgets.

The 2009-2011 biennium budget bill authorized about \$475.2 M in bonding for state educational institutions, and the 2007-2009 biennium budget bill authorized about \$518.2 M.

School corporation construction projects have varied between \$858 M and \$1.7 B over the last eight years.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: State agencies constructing public works projects.

Local Agencies Affected: Local units constructing public works projects.

Information Sources:

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